

Union Calendar No. 383

110TH CONGRESS
2D SESSION

H. R. 5818

[Report No. 110-616]

To authorize the Secretary of Housing and Urban Development to make loans to States to acquire foreclosed housing and to make grants to States for related costs.

IN THE HOUSE OF REPRESENTATIVES

APRIL 16, 2008

Ms. WATERS (for herself, Mr. FRANK of Massachusetts, Mrs. MALONEY of New York, Mr. WATT, Mr. MAHONEY of Florida, Ms. VELÁZQUEZ, Mr. AL GREEN of Texas, Mr. GUTIERREZ, Mr. LYNCH, Mr. CARSON, Mr. ELLISON, and Mr. CLAY) introduced the following bill; which was referred to the Committee on Financial Services

MAY 1, 2008

Additional sponsors: Ms. CLARKE, Ms. MOORE of Wisconsin, Mr. WILSON of Ohio, Ms. TSONGAS, Mr. SHERMAN, Mr. MORAN of Virginia, Mr. HIGGINS, Mr. MCGOVERN, Mr. SIRES, Ms. BERKLEY, Mr. CAPUANO, Mr. PASTOR, Mr. MEEK of Florida, Mr. COHEN, Ms. LEE, and Ms. MCCOLLUM of Minnesota

MAY 1, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on April 16, 2008]

A BILL

To authorize the Secretary of Housing and Urban Develop-

ment to make loans to States to acquire foreclosed housing and to make grants to States for related costs.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the*
 5 *“Neighborhood Stabilization Act of 2008”.*

6 (b) *TABLE OF CONTENTS.*—*The table of contents for*
 7 *this Act is as follows:*

Sec. 1. Short title and table of contents.
Sec. 2. Congressional purposes.
Sec. 3. Loans and grants to States.
Sec. 4. Qualified plans.
Sec. 5. Allocation of amounts.
Sec. 6. Loans.
Sec. 7. Grants.
Sec. 8. Eligible housing stimulus activities.
Sec. 9. Shared appreciation agreement.
Sec. 10. Spending requirements.
Sec. 11. Servicer contact.
Sec. 12. Accountability.
Sec. 13. Definitions.
Sec. 14. Funding.
Sec. 15. Regulations and implementation.

8 **SEC. 2. CONGRESSIONAL PURPOSES.**

9 *The purposes of this Act are—*

10 (1) *to establish a loan and grant program ad-*
 11 *ministered by the Department of Housing and Urban*
 12 *Development to help States, metropolitan cities, and*
 13 *urban counties purchase and rehabilitate owner-va-*
 14 *cated, foreclosed homes with the goal of stabilizing*
 15 *and occupying them as soon as possible, either*
 16 *through resale or rental to qualified families;*

1 (2) *to distribute these loans and grants to areas*
 2 *with the highest levels of foreclosure and delinquent*
 3 *subprime mortgages;*

4 (3) *to provide incentives for States, metropolitan*
 5 *cities, and urban counties to use the funds to stabilize*
 6 *as many properties as possible; and*

7 (4) *to provide housing for low- and moderate-in-*
 8 *come families, especially those that have lost homes to*
 9 *foreclosure.*

10 **SEC. 3. LOANS AND GRANTS TO STATES.**

11 *The Secretary of Housing and Urban Development*
 12 *shall, subject to the availability of amounts under section*
 13 *14, make grants under section 5(a) to qualified States and*
 14 *make loans under section 6 in accordance with the approved*
 15 *plans of qualified States, for use to carry out eligible hous-*
 16 *ing stimulus activities under section 8.*

17 **SEC. 4. QUALIFIED PLANS.**

18 (a) *IN GENERAL.—The Secretary may make a grant*
 19 *under this Act only to a State, and may allocate a loan*
 20 *authority amount under this Act only for a State, that has*
 21 *submitted to the Secretary a plan that meets the require-*
 22 *ments under this section and has been approved under this*
 23 *section. A State shall reallocate amounts under subsection*
 24 *(f) or (g) of section 5 only to a qualified metropolitan city*
 25 *or qualified urban county, respectively, that has submitted*

1 *to the Secretary a plan that meets the requirements under*
2 *this section and has been approved under this section.*

3 (b) *CONTENTS.—A plan under this section for an allo-*
4 *cation recipient shall—*

5 (1) *designate a housing finance agency of the al-*
6 *location recipient, or other agency, department, or en-*
7 *tity of the allocation recipient, or any other designee,*
8 *as the allocation recipient administrator to act on be-*
9 *half of the allocation recipient for purposes of this*
10 *Act;*

11 (2) *describe the housing stimulus activities under*
12 *section 8 to be carried out with assistance under this*
13 *Act for the allocation recipient by the entity identi-*
14 *fied pursuant to paragraph (1) of this subsection;*

15 (3) *prioritize the allocation of funds to low- and*
16 *moderate-income neighborhoods with high concentra-*
17 *tions of foreclosures and describe how such activities*
18 *will help restore or improve the viability of such*
19 *neighborhoods by providing for purchase or occu-*
20 *pancy of qualified foreclosed properties as soon as*
21 *practicable and in a manner that will facilitate re-*
22 *payment of the loans provided under this Act for car-*
23 *rying out such activities;*

24 (4) *set forth the procedures that the allocation re-*
25 *cipient will use to allocate grant and loan amounts*

1 *and monitor for compliance with the requirements of*
2 *section 8;*

3 *(5) provide that grant and loan amounts pro-*
4 *vided under this Act for the allocation recipient will*
5 *be used only for eligible housing stimulus activities*
6 *under section 8 that are eligible under such section*
7 *for assistance with grant or loan amounts, as appli-*
8 *cable;*

9 *(6) contain such assurances as the Secretary*
10 *shall require that the housing stimulus activities to be*
11 *carried out with assistance under this Act shall not*
12 *result in a significant net loss in rental housing in*
13 *an area in which such activities are undertaken;*

14 *(7) give priority emphasis and consideration to*
15 *metropolitan areas, metropolitan cities, urban areas,*
16 *rural areas, low- and moderate-income areas, census*
17 *tracts and other areas having the greatest need, in-*
18 *cluding those—*

19 *(A) with the greatest percentage of home*
20 *foreclosures;*

21 *(B) with the highest percentage of homes fi-*
22 *nanced by subprime mortgage loans over 90 days*
23 *delinquent; or*

24 *(C) identified by the State, qualified metro-*
25 *politan city, or unit of general local government*

1 *as likely to face a significant rise in the rate of*
2 *home foreclosures.*

3 *(8) provide preference for activities that serve the*
4 *lowest income families, who otherwise meet the income*
5 *requirements under section 8, for the longest period*
6 *and homeowners, who otherwise meet such income re-*
7 *quirements, whose mortgages have been foreclosed;*

8 *(9) provide preference for use of grant and loan*
9 *amounts in connection with acquisition of qualified*
10 *foreclosed properties that are acquired no earlier than*
11 *60 days after the owner of the property described in*
12 *section 13(7)(B) acquired such ownership;*

13 *(10) describe any other preferences the allocation*
14 *recipient may establish, such as housing for first re-*
15 *sponders, for veterans, for nurses serving underserved*
16 *areas or homeless persons, or for homeless persons in*
17 *accordance with the 10-year plan of the State to end*
18 *homelessness, or providing housing for public school*
19 *teachers or workforce who are employed by the city or*
20 *locality in which the housing is located;*

21 *(11) provide for obligation and outlay of grant*
22 *amounts, and for loan commitments and disburse-*
23 *ment, in accordance with the requirements under sec-*
24 *tion 10; and*

1 (12) *in the case of any grant or loan amounts*
2 *that will be invested with the possibility of a return*
3 *on investment, provide for use of any return on such*
4 *investment only for one or more eligible housing stim-*
5 *ulus activities under section 8.*

6 (c) *SUBMISSION.—*

7 (1) *IN GENERAL.—The Secretary shall provide*
8 *for allocation recipients to submit plans under this*
9 *section to the Secretary and shall establish require-*
10 *ments for the contents and form of such plans. Except*
11 *in the case of plan resubmitted pursuant to subsection*
12 *(d)(3), the Secretary may not accept or consider a*
13 *plan unless the plan is submitted to the Secretary be-*
14 *fore the expiration of the 30-day period beginning*
15 *upon the date of the enactment of this Act.*

16 (2) *PUBLIC APPROVAL.—An allocation recipient*
17 *may not submit a plan to the Secretary unless the*
18 *plan is approved by the chief executive officer of the*
19 *allocation recipient after a public hearing on the plan*
20 *held pursuant to reasonable public notice.*

21 (d) *REVIEW AND APPROVAL.—*

22 (1) *TIMING.—The Secretary shall review, and*
23 *approve or disapprove, each plan submitted or resub-*
24 *mitted pursuant to paragraph (3) in compliance with*
25 *the requirements established under this section before*

1 *the expiration of the 30-day period beginning upon*
2 *the submission of the plan. If the Secretary does not*
3 *approve or disapprove a plan that is submitted or re-*
4 *submitted in accordance with the requirements under*
5 *this section before the expiration of such 30-day pe-*
6 *riod and notify the allocation recipient of such ap-*
7 *proval or disapproval, the plan shall be considered*
8 *approved for purposes of this section.*

9 (2) *STANDARD FOR DISAPPROVAL.—The Sec-*
10 *retary may disapprove a plan only if the plan fails*
11 *to comply with the requirements of this Act.*

12 (3) *RESUBMISSION.—If the Secretary dis-*
13 *approves the plan of an allocation recipient, the Sec-*
14 *retary shall submit to the allocation recipient the rea-*
15 *sons for the disapproval, and the allocation recipient*
16 *may, during the 15-day period that begins upon noti-*
17 *fication of such disapproval and the reasons for such*
18 *disapproval, submit to the Secretary a revised plan*
19 *for review and approval in accordance with this sub-*
20 *section.*

21 **SEC. 5. ALLOCATION OF AMOUNTS.**

22 (a) *GRANTS.—From the total amount made available*
23 *under section 14(a) for grants under this Act, the Secretary*
24 *shall make a grant to each qualified State in the grant*

1 *amount determined under subsection (c) of this section for*
 2 *the qualified State.*

3 (b) *LOANS.—From the aggregate amount of authority*
 4 *for the outstanding principal balance of loans made under*
 5 *this Act pursuant to section 14(b)(1), the Secretary shall*
 6 *allocate such authority for loans under this Act for each*
 7 *qualified State in the loan authority amount determined*
 8 *under subsection (c) of this section for the qualified State.*

9 (c) *GRANT AMOUNTS AND LOAN AUTHORITY*
 10 *AMOUNTS.—*

11 (1) *IN GENERAL.—The grant amount or loan au-*
 12 *thority amount for a qualified State shall be the fore-*
 13 *closure grant share or foreclosure loan share, respec-*
 14 *tively, for the State determined under subsection (d),*
 15 *as such share is adjusted in accordance with an index*
 16 *established or selected by the Secretary to account for*
 17 *differences between qualified States in the median*
 18 *price of single family housing in such States.*

19 (2) *LIMITATION ON ADJUSTMENT.—If such ad-*
 20 *justment would result in a grant amount or loan au-*
 21 *thority amount for any State that exceeds 125 percent*
 22 *of the foreclosure grant share or foreclosure loan*
 23 *share, respectively, for the State, the grant amount or*
 24 *loan authority amount for the State shall be 125 per-*
 25 *cent of foreclosure grant share or foreclosure loan*

1 *share, respectively, for the State and the Secretary*
 2 *shall increase the grant amounts or loan authority*
 3 *amounts for all other States on a pro rata basis, ex-*
 4 *cept as provided in paragraph (3), by the amount*
 5 *necessary to account for the aggregate of any such de-*
 6 *creases in grant amounts or loan authority amounts*
 7 *for States to comply with the 125 percent limitation.*

8 (3) *LIMITATION ON REALLOCATION.*—*No increase*
 9 *in the grant amount or loan authority amount for*
 10 *any State from amounts reallocated pursuant to*
 11 *paragraph (2) shall result in the grant amount or*
 12 *loan authority amount for any State exceeding 125*
 13 *percent of the foreclosure grant share or foreclosure*
 14 *loan share for the State, respectively.*

15 (4) *PRIORITY PREFERENCE FOR UNUSED*
 16 *AMOUNTS.*—*States which have their grant or loan*
 17 *amounts reduced under paragraph (2) shall be grant-*
 18 *ed a priority preference for any loans or grants which*
 19 *may be reallocated under subsection (i) (relating to*
 20 *reallocation of funds).*

21 (d) *FORECLOSURE SHARES.*—*For purposes of this sec-*
 22 *tion:*

23 (1) *GRANT SHARE.*—*The foreclosure grant share*
 24 *for a qualified State shall be the amount that bears*
 25 *the same ratio to the total amount made available*

1 *under section 14(a) as the number of foreclosures on*
2 *mortgages for single family housing and subprime*
3 *mortgage loans for single family housing that are over*
4 *90 days delinquent, occurring in such State during*
5 *the most recently completed four calendar quarters for*
6 *which such information is available, as determined by*
7 *the Secretary, bears to the aggregate number of such*
8 *foreclosures and such delinquent subprime mortgage*
9 *loans occurring in all qualified States during such*
10 *calendar quarters.*

11 (2) *LOAN SHARE.—The foreclosure loan share for*
12 *a qualified State shall be the amount that bears the*
13 *same ratio to the aggregate amount of the principal*
14 *balance of loans that may be outstanding at any time*
15 *under this Act pursuant to section 14(b)(1) as the*
16 *number of foreclosures on mortgages for single family*
17 *housing and subprime mortgage loans for single fam-*
18 *ily housing that are over 90 days delinquent, occur-*
19 *ring in such State during the most recently completed*
20 *four calendar quarters for which such information is*
21 *available, as determined by the Secretary, bears to the*
22 *aggregate number of such foreclosures and such delin-*
23 *quent subprime mortgage loans occurring in all*
24 *qualified States during such calendar quarters.*

1 (e) *DISTRIBUTION OF FULL AMOUNT.*—*The Secretary*
 2 *shall establish the index referred to in subsection (c) and*
 3 *the grant and loan authority amounts for the qualified*
 4 *States in a manner that provides that—*

5 (1) *the aggregate of the grant amounts for all*
 6 *qualified States is equal to the total amount made*
 7 *available under section 14(a); and*

8 (2) *the aggregate of the loan authority amounts*
 9 *for all qualified States is equal to the aggregate*
 10 *amount of authority for the outstanding principal*
 11 *balance of all loans made under this Act pursuant to*
 12 *section 14(b)(1).*

13 (f) *REQUIREMENT TO ALLOCATE TO QUALIFIED MET-*
 14 *ROPOLITAN CITIES.*—*Of any grant amounts and loan au-*
 15 *thority amounts allocated pursuant to this section for a*
 16 *State, such State shall allocate for each qualified metropoli-*
 17 *tan city located in such State a portion of such grant*
 18 *amounts and such loan authority amounts that bears the*
 19 *same ratio to such grant amounts and loan authority*
 20 *amounts, respectively, allocated for the State as the number*
 21 *of foreclosures on mortgages for single family housing and*
 22 *subprime mortgage loans for single family housing that are*
 23 *over 90 days delinquent, occurring in such qualified metro-*
 24 *politan city during the most recently completed four cal-*
 25 *endar quarters for which such information is available, as*

1 *determined by the Secretary, bears to the aggregate number*
 2 *of such foreclosures and such delinquent subprime mortgage*
 3 *loans occurring in the State during such calendar quarters.*
 4 *A State may adjust such allocation to account for dif-*
 5 *ferences between median single family housing prices in the*
 6 *State and in qualified metropolitan cities in the State.*

7 (g) *REQUIREMENT TO ALLOCATE TO QUALIFIED*
 8 *URBAN COUNTIES.*—*Of any grant amounts and loan au-*
 9 *thority amounts allocated pursuant to this section for a*
 10 *State, such State shall allocate for each qualified urban*
 11 *county located in such State a portion of such grant*
 12 *amounts and such loan authority amounts that bears the*
 13 *same ratio to such grant amounts and loan authority*
 14 *amounts, respectively, allocated for the State as the number*
 15 *of foreclosures on mortgages for single family housing and*
 16 *subprime mortgage loans for single family housing that are*
 17 *over 90 days delinquent, occurring in such qualified urban*
 18 *county during the most recently completed four calendar*
 19 *quarters for which such information is available, as deter-*
 20 *mined by the Secretary, bears to the aggregate number of*
 21 *such foreclosures and such delinquent subprime mortgage*
 22 *loans occurring in the State during such calendar quarters.*
 23 *A State may adjust such allocation to account for dif-*
 24 *ferences between median single family housing prices in the*
 25 *State and in qualified urban counties in the State.*

1 (h) *ALLOCATION EXCEPTION.*—If the aggregate grant
2 and loan authority amount to be allocated pursuant to sub-
3 section (f) or (g) to a qualified metropolitan city or quali-
4 fied urban county is less than \$10,000,000, a State may,
5 but is not required to, allocate such grant and loan author-
6 ity amount to such qualified metropolitan city or qualified
7 urban county, and the allocation for such State shall be in-
8 creased by the grant and loan authority amount not allo-
9 cated to such qualified metropolitan city or qualified urban
10 county.

11 (i) *REALLOCATION OF UNUSED AMOUNTS.*—The Sec-
12 retary shall recapture any grant amounts and loan author-
13 ity amounts allocated to a State that are not used in a
14 timely fashion in accordance with section 10, as the Sec-
15 retary shall prescribe, and shall reallocate such amounts
16 among all other qualified States in accordance with the pro-
17 visions of this Act for allocation of grant amounts and loan
18 authority amounts.

19 **SEC. 6. LOANS.**

20 (a) *REQUIREMENT OF LOAN AUTHORITY AMOUNT.*—
21 The Secretary may make a loan under this Act for use in
22 the area of an allocation recipient only to the extent and
23 in such amounts that loan authority amounts for such allo-
24 cation recipient are available.

1 (b) *REVOLVING AVAILABILITY OF LOAN AUTHORITY*
2 *AMOUNT.*—*The loan authority amount allocated for each*
3 *allocation recipient shall—*

4 (1) *upon the Secretary entering into a binding*
5 *commitment to make a loan under this Act for use in*
6 *the area of such allocation recipient, be decreased by*
7 *the amount of the principal obligation of such loan;*
8 *and*

9 (2) *upon the repayment to the Secretary by any*
10 *borrower of any principal amounts borrowed under a*
11 *loan this Act for use in the area of such allocation re-*
12 *cipient, be increased by the amount of principal re-*
13 *paid.*

14 (c) *ASSISTED ENTITIES.*—*The loan authority amount*
15 *of an allocation recipient may be used for activities de-*
16 *scribed in section 8(a) undertaken by—*

17 (1) *the allocation recipient;*

18 (2) *a unit of local government or a local govern-*
19 *mental entity; or*

20 (3) *any other entity, as provided in the approved*
21 *plan of the allocation recipient under section 4.*

22 (d) *LOAN TERMS.*—*Each loan provided under this Act*
23 *from the loan authority amount of an allocation recipient*
24 *shall—*

25 (1) *bear no interest;*

1 (2) *have a term to maturity of—*

2 (A) *3 years, in the case of any loan made*
3 *to purchase or finance the purchase of qualified*
4 *foreclosed housing for use under section 8(a)(1)*
5 *for homeownership; and*

6 (B) *5 years, in the case of any loan made*
7 *to purchase or finance the purchase of qualified*
8 *foreclosed housing for use under section 8(a)(2)*
9 *for rental;*

10 (3) *not provide for amortization of the principal*
11 *obligation of the loan during such term;*

12 (4) *be non-recourse;*

13 (5) *require payment of the original principal ob-*
14 *ligation under the loan only upon the expiration of*
15 *the term of the loan; and*

16 (6) *have such other terms and conditions as the*
17 *Secretary may provide.*

18 (e) *PROCEDURE.—A qualified State or, upon its elec-*
19 *tion, a qualified metropolitan city or qualified urban coun-*
20 *ty shall—*

21 (1) *enter into a loan agreement on behalf of the*
22 *Secretary on terms established under this Act and*
23 *any other terms such State, qualified metropolitan*
24 *city, or qualified urban county determines appro-*
25 *priate;*

1 (2) *disburse the loan amount in accordance with*
 2 *such terms, subject only to the absence of sufficient*
 3 *loan authority amount for such State, such qualified*
 4 *metropolitan city, or such qualified urban county;*

5 (3) *monitor such loans; and*

6 (4) *collect and transmit to the Secretary any*
 7 *loan repayments.*

8 (f) *ELIGIBILITY FOR REPEAT LENDING.*—A loan
 9 *under this Act may be made to an entity that has pre-*
 10 *viously borrowed amounts under a loan under this Act only*
 11 *if such entity has repaid 90 percent or more of the amounts*
 12 *due under all previous such loans. The Secretary may waive*
 13 *such requirement upon a request by an allocation recipient*
 14 *if the borrower has demonstrated satisfactory progress in*
 15 *utilizing outstanding loans and sufficient capacity to uti-*
 16 *lize additional loan amounts effectively.*

17 (g) *SUNSET.*—The Secretary may not enter into any
 18 *commitment to make a loan under this Act, or make any*
 19 *such loan, after the expiration of the 48-month period begin-*
 20 *ning on the date of the enactment of this Act.*

21 **SEC. 7. GRANTS.**

22 *The grant amount of an allocation recipient may be*
 23 *used under section 8(b) by the allocation recipient, a unit*
 24 *of local government or a local governmental entity, or a*
 25 *nonprofit organization.*

1 **SEC. 8. ELIGIBLE HOUSING STIMULUS ACTIVITIES.**

2 (a) *LOAN AMOUNTS.*—Amounts provided under a loan
3 under this Act for an allocation recipient shall be used, in
4 accordance with the approved plan of such allocation re-
5 cipient, only for the following activities:

6 (1) *HOMEOWNERSHIP HOUSING PROVISION.*—To
7 purchase or finance the purchase of qualified fore-
8 closed housing for resale as housing for homeowner-
9 ship to families having incomes that do not exceed
10 140 percent of the median income for the area in
11 which the housing is located.

12 (2) *RENTAL HOUSING PROVISION.*—To purchase
13 or finance the purchase of qualified foreclosed housing
14 for use as rental, lease-purchase, or rent-to-own hous-
15 ing, subject to the following requirements:

16 (A) *QUALIFIED TENANTS.*—All dwelling
17 units in the housing purchased or financed using
18 any loan amounts shall be available for rental
19 only by families whose incomes do not exceed
20 100 percent of the median income for the area in
21 which the housing is located.

22 (B) *RENTS.*—Rents for each dwelling unit
23 in the housing purchased or financed using any
24 loan amounts shall be established at amounts
25 that do not exceed market rents for comparable
26 dwelling units located in the area in which the

1 *housing is located and in accordance with such*
2 *requirements as the Secretary shall establish to*
3 *ensure that rents are established in a fair, objec-*
4 *tive, and arms-length manner.*

5 (3) *HOUSING REHABILITATION.*—*To rehabilitate*
6 *qualified foreclosed housing acquired with assistance*
7 *provided pursuant to this subsection, to the extent*
8 *necessary to comply with applicable laws, codes, and*
9 *other requirements relating to housing safety, quality,*
10 *and habitability, or to make improvements to the*
11 *housing to increase the energy efficiency or conserva-*
12 *tion of the housing or provide a renewable energy*
13 *source or sources for the housing, for the purpose of*
14 *reselling the housing, to the extent possible, during the*
15 *3-month period that begins upon completion of reha-*
16 *bilitation and at a price that is as close as possible*
17 *to the acquisition price of the housing.*

18 (b) *GRANT AMOUNTS.*—*Grant amounts provided*
19 *under this Act to an allocation recipient shall be used, in*
20 *accordance with the approved plan of such allocation re-*
21 *cipient, only for the following activities:*

22 (1) *OPERATING AND HOLDING COSTS.*—*For costs*
23 *of holding and operating qualified foreclosed housing*
24 *acquired pursuant to subsection (a), including costs of*

1 *management, taxes, handling, insurance, and other*
2 *related costs.*

3 (2) *COSTS RELATING TO PROPERTY ACQUISITION.*—*For incidental costs involved in acquiring*
4 *qualified foreclosed housing pursuant to subsection*
5 *(a), including reasonable closing costs, except that*
6 *grant amounts may not be used to pay any portion*
7 *of the purchase price for the housing under section*
8 *13(7)(C).*

10 (3) *ADMINISTRATIVE COSTS.*—*For costs of the al-*
11 *location recipient in administering loan authority*
12 *amounts and grant amounts under this Act, except*
13 *that the amount of grant amounts provided under*
14 *this Act to an allocation recipient that may be used*
15 *under this paragraph shall not exceed the amount*
16 *equal to 8 percent of the sum of the grant amounts*
17 *provided to the allocation recipient pursuant to sub-*
18 *section (a), (f), or (g) of section 5, as applicable, and*
19 *the loan authority amount allocated to the allocation*
20 *recipient pursuant to subsection (b), (f), or (g) of sec-*
21 *tion 5, as applicable.*

22 (4) *PLANNING COSTS.*—*For planning costs of the*
23 *State in connection with this Act, except that the*
24 *amount of grant amounts provided under this Act to*
25 *an allocation recipient that may be used under this*

1 *paragraph shall not exceed the amount equal to 2 per-*
2 *cent of the sum of the grant amounts provided to the*
3 *allocation recipient pursuant to subsection (a), (f), or*
4 *(g) of section 5, as applicable, and the loan authority*
5 *amount allocated to the State pursuant to subsection*
6 *(b), (f), or (g) of section 5, as applicable.*

7 (5) *HOUSING REHABILITATION.—For activities*
8 *set forth in subsection (a)(3), except that an alloca-*
9 *tion recipient shall not use more than 20 percent of*
10 *a grant amount allocation for such activities.*

11 (6) *DEMOLITION.—For costs of demolishing*
12 *qualified foreclosed housing that is deteriorated or un-*
13 *safe, but amounts may be used under this paragraph*
14 *only if the Secretary determines that the neighborhood*
15 *or other area in which the housing is located has a*
16 *high incidence of vacant and abandoned housing (or*
17 *other vacant and abandoned structures) and is expe-*
18 *riencing a significant decline in population.*

19 *Notwithstanding any other provision of this subsection,*
20 *grant amounts provided under this Act may not be used*
21 *to provide assistance of any kind (including grants, loans,*
22 *and closing cost financing) to provide amounts for*
23 *downpayments for any homebuyers of single family hous-*
24 *ing.*

1 (c) *PROHIBITED USES.*—*The Secretary shall, by regu-*
2 *lation, set forth prohibited uses of grant or loan amounts*
3 *under this Act, which shall include use for—*

4 (1) *political activities;*

5 (2) *advocacy;*

6 (3) *lobbying, whether directly or through other*
7 *parties;*

8 (4) *counseling services;*

9 (5) *travel expenses; and*

10 (6) *preparing or providing advice on tax re-*
11 *turns.*

12 (d) *INCOME TARGETING REQUIREMENT.*—

13 (1) *VERY LOW-INCOME FAMILIES.*—*Not less than*
14 *50 percent of the total grant amounts an allocation*
15 *recipient makes available under this Act shall be used*
16 *for activities under subsection (b) in connection with*
17 *providing housing for families whose incomes do not*
18 *exceed 50 percent of the median income for the area*
19 *in which the housing is located.*

20 (2) *EXTREMELY LOW-INCOME FAMILIES.*—*Not*
21 *less than 50 percent of the total grant amounts an al-*
22 *location recipient makes available under paragraph*
23 *(1) shall be used for activities under subsection (b) in*
24 *connection with providing housing for families whose*

1 *incomes do not exceed 30 percent of the median in-*
2 *come for the area in which the housing is located.*

3 (3) *WAIVER.—*

4 (A) *IN GENERAL.—The Secretary may es-*
5 *tablish a percentage for purposes of paragraph*
6 *(2) that is less than 50 percent if an allocation*
7 *recipient certifies that, in addition to any other*
8 *requirements the Secretary may establish—*

9 (i) *such allocation recipient has at-*
10 *tempted to use all other federally related re-*
11 *sources available to it in combination with*
12 *the resources available under this Act to*
13 *meet the requirements of paragraph (2);*
14 *and*

15 (ii) *the failure to comply with para-*
16 *graph (2) will not result in an overall loss*
17 *of housing affordable to families whose in-*
18 *comes do not exceed 30 percent of area me-*
19 *dian income in the area of such allocation*
20 *recipient.*

21 (B) *CONSIDERATION OF HOUSING NEEDS.—*

22 *In establishing an alternative percentage for*
23 *purposes of paragraph (2) for an allocation re-*
24 *cipient that meets the certification requirements*
25 *of subparagraph (A), the Secretary shall take*

1 *into consideration the housing needs in the area*
2 *of such allocation recipient of families whose in-*
3 *comes do not exceed 30 percent of area median*
4 *income.*

5 *(e) USE FOR RURAL AREAS.—An allocation recipient*
6 *receiving any grant or loan amounts under this Act that*
7 *includes any rural areas shall use a portion of its grant*
8 *and loan authority amount for eligible activities located in*
9 *rural areas that is proportionate to the identified need for*
10 *such activities in such rural areas.*

11 *(f) SECURITY.—A qualified State, or at its election,*
12 *a qualified metropolitan city or qualified urban county,*
13 *shall record a lien in the name of the Secretary on any*
14 *qualified foreclosed housing purchased or financed with a*
15 *loan under this section in the amount of the principal obli-*
16 *gation under the loan and interest due under the loan.*

17 *(g) QUALIFIED HOMEOWNERS.—This Act may not be*
18 *construed to prevent the resale of qualified foreclosed hous-*
19 *ing to a prior owner or occupant of such housing who meets*
20 *the income requirements of this Act.*

21 *(h) VOUCHER NONDISCRIMINATION.—*

22 *(1) PROSPECTIVE TENANTS.—A recipient of*
23 *amounts from a loan or grant under this Act may not*
24 *refuse to lease a dwelling unit in housing assisted*
25 *with any such loan or grant amounts to a holder of*

1 *a voucher or certificate of eligibility under section 8*
2 *of the United States Housing Act of 1937 (42 U.S.C.*
3 *1437f) because of the status of the prospective tenant*
4 *as such a holder.*

5 (2) *CURRENT TENANTS.—In the case of any*
6 *qualified foreclosed housing for which funds made*
7 *available under the Act are used and in which a re-*
8 *cipient of assistance under section 8(o) of the U.S.*
9 *Housing Act of 1937 resides at the time of acquisition*
10 *or financing, the owner and any successor in interest*
11 *shall be subject to the lease and to the housing assist-*
12 *ance payments contract for the occupied unit.*
13 *Vacating the property prior to sale shall not con-*
14 *stitute good cause for termination of the tenancy un-*
15 *less the property is unmarketable while occupied or*
16 *unless the owner or subsequent purchaser desires the*
17 *unit for personal or family use. This paragraph shall*
18 *not preempt any State or local law that provides*
19 *more protection for tenants.*

20 (i) *EFFECT OF FORECLOSURE ON PREEXISTING*
21 *LEASE.—*

22 (1) *IN GENERAL.—In the case of any foreclosure*
23 *on any dwelling or residential real property acquired*
24 *with any amounts made available under this Act,*
25 *any successor in interest in such property pursuant*

1 to the foreclosure shall assume such interest subject
2 to—

3 (A) the provision, by the successor in inter-
4 est, of a notice to vacate to any bona fide tenant
5 at least 90 days before the effective date of the
6 notice to vacate; and

7 (B) the rights of any bona fide tenant, as
8 of the date of such notice of foreclosure—

9 (i) under any bona fide lease entered
10 into before the notice of foreclosure to oc-
11 cupy the premises until the end of the re-
12 maining term of the lease or the end of the
13 6-month period beginning on the date of the
14 notice of foreclosure, whichever occurs first,
15 subject to the receipt by the tenant of the
16 90-day notice under subparagraph (A); or

17 (ii) without a lease or with a lease ter-
18 minable at will under State law, subject to
19 the receipt by the tenant of the 90-day no-
20 tice under subparagraph (A), except that
21 nothing under this subparagraph shall af-
22 fect the requirements for termination of any
23 federally subsidized tenancy.

1 (2) *BONA FIDE LEASE OR TENANCY.*—For pur-
 2 poses of this subsection, a lease or tenancy shall be
 3 considered bona fide only if—

4 (A) the mortgagor under the contract is not
 5 the tenant;

6 (B) the lease or tenancy was the result of an
 7 arms-length transaction; or

8 (C) the lease or tenancy requires the receipt
 9 of rent that is not substantially less than fair
 10 market rent for the property.

11 (j) *PROHIBITION OF DEMOLITION OF PUBLIC HOUS-*
 12 *ING.*—Notwithstanding any other provision of this Act,
 13 amounts from a grant or loan under this Act may not be
 14 used to demolish any public housing (as such term is de-
 15 fined in section 3 of the United States Housing Act of 1937
 16 (42 U.S.C. 1437a)).

17 **SEC. 9. SHARED APPRECIATION AGREEMENT.**

18 Notwithstanding any other provision of this Act, no
 19 amounts from a loan or grant under this Act may be used
 20 under section 8 for any qualified foreclosed housing unless
 21 such binding agreements are entered into, in accordance
 22 with such requirements as the Secretary shall establish, that
 23 ensure that the Federal Government shall, upon any sale
 24 or disposition of the qualified foreclosed housing by the
 25 owner who acquires the housing pursuant to assistance

1 *under this Act, receive an amount equal to 20 percent of*
 2 *the difference between the net proceeds from such sale or*
 3 *disposition and the cost of such acquisition of the housing*
 4 *pursuant to assistance under this Act, after deductions for*
 5 *expenditures paid or incurred after the date of such acquisi-*
 6 *tion that are properly chargeable to capital account (within*
 7 *the meaning of section 1016 of the Internal Revenue Code*
 8 *of 1986) with respect to such housing. In the case of a for-*
 9 *profit owner, this section shall be applied by substituting*
 10 *“50 percent” for “20 percent”.*

11 **SEC. 10. SPENDING REQUIREMENTS.**

12 *(a) IN GENERAL.—Each allocation recipient that re-*
 13 *ceives a grant under this Act or is allocated loan authority*
 14 *amounts under this Act pursuant to section 5(b) shall—*

15 *(1) commence obligation of such grant amounts*
 16 *and commitment of such loan authority amounts not*
 17 *later than the expiration of the 120-day period that*
 18 *begins upon approval of the approved plan of alloca-*
 19 *tion recipient;*

20 *(2) obligate all such grant amounts and enter*
 21 *into commitments for all such loan authority*
 22 *amounts not later than the expiration of the 180-day*
 23 *period beginning upon such approval; and*

24 *(3) except as provided in subsection (b) of this*
 25 *section, outlay all such grant amounts and disburse*

1 *all such loan authority amounts not later than the*
 2 *24-month period that begins upon such approval.*

3 *This subsection shall not apply to loan authority amounts*
 4 *of an allocation recipient attributable, pursuant to section*
 5 *6(b)(2), to repayment of principal amounts of loans under*
 6 *this Act.*

7 *(b) EXCEPTION TO SPENDING REQUIREMENT.—If an*
 8 *allocation recipient in good faith makes a request, in the*
 9 *plan submitted to the Secretary pursuant to section 4 or*
 10 *otherwise after approval of such plan, for extension of the*
 11 *period referred to in paragraph (1), (2), or (3) of subsection*
 12 *(a) of this section, the Secretary may extend the period for*
 13 *not more than 5 months.*

14 **SEC. 11. SERVICER CONTACT.**

15 *The servicer of a federally related mortgage loan (as*
 16 *such term is defined in section 3 of the Real Estate Settle-*
 17 *ment Procedures Act of 1974 (12 U.S.C. 2602)) shall notify*
 18 *the unit of general local government in which the property*
 19 *securing the mortgage is located upon becoming responsible*
 20 *for a qualified foreclosed property and provide such unit*
 21 *of general local government with the name and 24-hour con-*
 22 *tact information of a representative authorized to negotiate*
 23 *purchases.*

1 **SEC. 12. ACCOUNTABILITY.**

2 (a) *REPORTING.*—Each allocation recipient that re-
3 ceives a grant or allocation of loan authority amount under
4 this Act shall submit a report to the Secretary, not later
5 than the expiration of the 12-month period beginning upon
6 the approval of the qualified plan by the Secretary, regard-
7 ing use of such amounts which shall contain such informa-
8 tion, including information about the location and type of
9 assisted properties and the income of families purchasing
10 or renting housing assisted under this Act, as the Secretary
11 shall require.

12 (b) *MISUSE OF AMOUNTS.*—If the Secretary deter-
13 mines that any amounts from a grant or loan under this
14 Act for an allocation recipient or other recipient of grant
15 or loans funds has been used in a manner that is in viola-
16 tion of this Act, any regulations issued under this Act, or
17 any requirements or conditions under which such amounts
18 were provided, the Secretary shall require the allocation re-
19 cipient or other recipient of grant or loans funds to reim-
20 burse the Treasury of the United States in the amount of
21 any such misused funds.

22 (c) *HOLD HARMLESS.*—Notwithstanding subsection
23 (b), a State shall not be required to reimburse the Treasury
24 of the United States for any misused funds such State is
25 required to allocate to a qualified metropolitan city or

1 *qualified urban county under subsection (f) or (g) of section*
 2 *5, respectively.*

3 **SEC. 13. DEFINITIONS.**

4 *For purposes of this Act, the following definitions shall*
 5 *apply:*

6 (1) *ALLOCATION RECIPIENT.*—*The term “alloca-*
 7 *tion recipient” means—*

8 (A) *a qualified State;*

9 (B) *a qualified metropolitan city; and*

10 (C) *a qualified urban county.*

11 (2) *ALLOCATION RECIPIENT ADMINISTRATOR.*—

12 *The term “allocation recipient administrator” means*
 13 *the entity that is designated, pursuant to section*
 14 *4(b)(1), in the approved plan of the allocation recipi-*
 15 *ent to act for the allocation recipient for purposes of*
 16 *this Act.*

17 (3) *APPROVED PLAN.*—*The term “approved*
 18 *plan” means a plan of an allocation recipient that*
 19 *has been approved pursuant to section 4.*

20 (4) *COVERED MULTIFAMILY HOUSING.*—*The term*
 21 *“covered multifamily housing” means a residential*
 22 *structure that consists of 64 or fewer dwelling units.*

23 (5) *LOAN AUTHORITY AMOUNT.*—*The term “loan*
 24 *authority amount” means, with respect to an alloca-*
 25 *tion recipient, the amount of loan authority available*

1 *pursuant to section 14(b)(1) that is allocated for the*
 2 *allocation recipient pursuant to subsection (b), (f), or*
 3 *(g) of section 5, as applicable, as such amount may*
 4 *be increased or decreased pursuant to section 6(b).*

5 (6) *NONPROFIT ORGANIZATION.*—*The term “non-*
 6 *profit organization” has the meaning given such term*
 7 *in section 104 of the Cranston-Gonzalez National Af-*
 8 *fordable Housing Act (42 U.S.C. 12704).*

9 (7) *QUALIFIED FORECLOSED HOUSING.*—*The*
 10 *term “qualified foreclosed housing” means housing*
 11 *that—*

12 (A)(i) *is single family housing that is not*
 13 *occupied by an owner, pursuant to foreclosure or*
 14 *assignment of the mortgage on the housing or*
 15 *forfeiture of the housing; or*

16 (ii) *is covered multifamily housing;*

17 (B) *is owned by a lender, mortgage com-*
 18 *pany, investor, financial institution, or other*
 19 *such entity, or any government entity, pursuant*
 20 *to foreclosure or assignment of the mortgage on*
 21 *the housing or forfeiture of the housing; and*

22 (C) *has a purchase price—*

23 (i) *in the case of single family housing,*
 24 *that does not exceed 110 percent of the aver-*
 25 *age purchase price for single family housing*

1 *in the area in which the housing is located,*
2 *as determined by the Secretary.*

3 *(ii) in the case of covered multifamily*
4 *housing, that does not exceed the dollar*
5 *amount limitation, for housing of the appli-*
6 *cable size located in the area in which the*
7 *housing is located, on the amount of a prin-*
8 *cipal obligation of a mortgage eligible for*
9 *insurance under section 207 of the National*
10 *Housing Act (12 U.S.C. 1713), as in effect*
11 *on the date of the enactment of this Act pur-*
12 *suant to such section 207(c)(3)(A) and sec-*
13 *tion 206A of such Act (12 U.S.C. 1712a).*

14 (8) *QUALIFIED METROPOLITAN CITY.*—*The term*
15 *“qualified metropolitan city” means an incorporated*
16 *place, for which there is an improved plan, that—*

17 *(A) is among the 100 most populous incor-*
18 *porated places in the United States, as deter-*
19 *mined according to data from the most recent de-*
20 *cennial census that is published before the date*
21 *of the enactment of this Act; or*

22 *(B)(i) has a minimum population of*
23 *50,000, as determined according to data from the*
24 *most recent decennial census that is published*
25 *before the date of the enactment of this Act; and*

1 (ii) has a foreclosure rate that exceeds 125
2 percent of the foreclosure rate for the entire State

3 (9) *QUALIFIED STATE*.—The term “qualified
4 State” means a State for which there is an approved
5 plan.

6 (10) *QUALIFIED URBAN COUNTY*.—The term
7 “qualified urban county” means an urban county (as
8 such term is defined in section 102 of the Housing
9 and Community Development Act of 1974 (42 U.S.C.
10 5302)), for which there is an approved plan, that is
11 among the 50 most populous urban counties in the
12 United States, as determined—

13 (A) according to data from the most recent
14 decennial census; and

15 (B) excluding the population of any quali-
16 fied metropolitan city within such urban county,
17 unless such metropolitan city has agreed to have
18 its population included with the population of
19 the county for the purposes of this Act.

20 (11) *SECRETARY*.—The term “Secretary” means
21 the Secretary of Housing and Urban Development.

22 (12) *SINGLE FAMILY HOUSING*.—The term “sin-
23 gle family housing” means a residential structure
24 consisting of from one to four dwelling units.

1 (13) *STATE*.—*The term “State” means any*
2 *State of the United States, the District of Columbia,*
3 *the Commonwealth of Puerto Rico, the Commonwealth*
4 *of the Northern Mariana Islands, Guam, the Virgin*
5 *Islands, American Samoa, and other territory or pos-*
6 *session of the United States.*

7 **SEC. 14. FUNDING.**

8 (a) *GRANTS*.—*There is authorized to be appropriated*
9 *to the Secretary of the Treasury \$7,500,000,000 for grants*
10 *under this Act.*

11 (b) *DIRECT LOANS*.—

12 (1) *LOAN COMMITMENT AUTHORITY LIMITA-*
13 *TION*.—*Subject only to the availability of sufficient*
14 *amounts for the costs (as such term is defined in sec-*
15 *tion 502 of the Federal Credit Reform Act of 1990 (2*
16 *U.S.C. 661a)) of such loans and the absence of quali-*
17 *fied requests for loans, the Secretary shall enter into*
18 *commitments to make loans under this Act, and shall*
19 *make such loans, in an amount such that the aggre-*
20 *gate outstanding principal balance of such loans does*
21 *not at any time exceed \$7,500,000,000.*

22 (2) *AUTHORIZATION OF APPROPRIATIONS FOR*
23 *COSTS*.—*There is authorized to be appropriated such*
24 *sums as may be necessary for costs (as such term is*

1 *defined in section 502 of the Federal Credit Reform*
2 *Act of 1990 (2 U.S.C. 661a)) of loans under this Act.*

3 **SEC. 15. REGULATIONS AND IMPLEMENTATION.**

4 *(a) REGULATIONS.—The Secretary shall issue any reg-*
5 *ulations necessary to carry out this Act.*

6 *(b) IMPLEMENTATION.—Pending the effectiveness of*
7 *regulations issued pursuant to subsection (a), the Secretary*
8 *shall take such action as may be necessary to implement*
9 *this Act by notice, guidance, and interim rules.*

Union Calendar No. 383

110TH CONGRESS
2^D Session

H. R. 5818

[Report No. 110-616]

A BILL

To authorize the Secretary of Housing and Urban
Development to make loans to States to acquire
foreclosed housing and to make grants to States
for related costs.

MAY 1, 2008

Reported with an amendment, committed to the Com-
mittee of the Whole House on the State of the Union,
and ordered to be printed